

**Children's Hospital of Eastern Ontario Foundation/La
Fondation du Centre hospitalier pour enfants de l'est
de l'Ontario**

**Financial statements
December 31, 2020**



Independent auditor's report

To the Directors of
Children's Hospital of Eastern Ontario Foundation
La Fondation du Centre hospitalier pour enfants de l'est de l'Ontario

Report on the audit of the financial statements

Opinion

We have audited the financial statements of **Children's Hospital of Eastern Ontario Foundation/La Fondation du Centre hospitalier pour enfants de l'est de l'Ontario** [the "Foundation"], which comprise the statement of financial position as at December 31, 2020, and the statements of operations and changes in fund balances and cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Foundation as at December 31, 2020, and its results of operations and its cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

Basis for opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the financial statements* section of our report. We are independent of the Foundation in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada, and we have fulfilled our ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of management and those charged with governance for the financial statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with Canadian accounting standards for not-for-profit organizations, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Foundation's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Foundation or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Foundation's financial reporting process.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists.



Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Foundation's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Foundation's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Foundation to cease to continue as a going concern.
- Evaluate the overall presentation, structure, and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Report on other legal and regulatory requirements

As required by the *Corporations Act* (Ontario), we report that, in our opinion, Canadian accounting standards for not-for-profit organizations have been applied on a basis consistent with that of the preceding year.

Ottawa, Canada
April 27, 2021

Ernst & Young LLP

Chartered Professional Accountants
Licensed Public Accountants



Children's Hospital of Eastern Ontario Foundation
La Fondation du Centre hospitalier pour enfants de l'est de l'Ontario
 Incorporated under the laws of the Province of Ontario

Statement of financial position

As at December 31

	2020	2019
	\$	\$
Assets		
Current		
Cash and cash equivalents	9,300,309	13,406,049
Short-term investments <i>[note 3]</i>	2,516,642	1,930,593
Interest and other receivables	1,591,579	1,584,702
Prepaid expenses	7,949	27,937
Total current assets	13,416,479	16,949,281
Long-term investments <i>[note 3]</i>	94,377,352	78,480,984
Capital assets, net <i>[note 5]</i>	73,452	48,392
Other assets	122,450	122,450
	107,989,733	95,601,107
Liabilities and fund balances		
Current		
Accounts payable and accrued liabilities	5,290,032	3,800,009
Total current liabilities	5,290,032	3,800,009
Commitments <i>[note 11]</i>		
Fund balances <i>[note 6]</i>		
General Fund	24,998,094	18,683,317
Restricted Fund	29,003,941	26,061,345
Endowment Fund	48,697,666	47,056,436
Total fund balances	102,699,701	91,801,098
	107,989,733	95,601,107

See accompanying notes

Children's Hospital of Eastern Ontario Foundation
La Fondation du Centre hospitalier pour enfants de l'est de l'Ontario

Statement of operations and changes in fund balances

Year ended December 31

	General Fund		Restricted Fund		Endowment Fund		Total	
	2020	2019	2020	2019	2020	2019	2020	2019
	\$	\$	\$	\$	\$	\$	\$	\$
Revenue								
Lotteries <i>[note 7]</i>	12,596,770	9,314,278	13,335	—	—	—	12,610,105	9,314,278
Fundraising <i>[note 7]</i>	15,242,710	10,998,520	7,088,078	7,835,087	527,245	372,425	22,858,033	19,206,032
Investment income <i>[note 3]</i>	5,203,386	7,631,544	627,524	1,156,242	859,077	1,492,033	6,689,987	10,279,819
Parking and miscellaneous revenue <i>[note 8]</i>	2,493,376	4,578,751	—	—	—	—	2,493,376	4,578,751
	35,536,242	32,523,093	7,728,937	8,991,329	1,386,322	1,864,458	44,651,501	43,378,880
Expenses								
Direct expenses <i>[note 8]</i>	7,973,570	8,802,304	25,069	229,442	—	—	7,998,639	9,031,746
Revenue, net of direct expenses	27,562,672	23,720,789	7,703,868	8,761,887	1,386,322	1,864,458	36,652,862	34,347,134
Indirect expenses <i>[note 10]</i>								
Other fundraising expenses	3,383,713	3,274,506	—	—	—	—	3,383,713	3,274,506
Administrative expenses	1,402,610	1,639,318	—	—	—	—	1,402,610	1,639,318
Excess of revenue over expenses before grants	22,776,349	18,806,965	7,703,868	8,761,887	1,386,322	1,864,458	31,866,539	29,433,310
Children's Hospital of Eastern Ontario Research								
Capital and programs <i>[notes 8 and 9]</i>	—	—	20,731,407	16,908,646	—	—	20,731,407	16,908,646
Contribution of services <i>[note 9]</i>	—	—	236,529	150,811	—	—	236,529	150,811
	—	—	20,967,936	17,059,457	—	—	20,967,936	17,059,457
Excess (deficiency) of revenue over expenses and grants for the year	22,776,349	18,806,965	(13,264,068)	(8,297,570)	1,386,322	1,864,458	10,898,603	12,373,853
Fund balances, beginning of year	18,683,317	13,577,075	26,061,345	20,776,142	47,056,436	45,074,028	91,801,098	79,427,245
Interfund transfers <i>[note 4]</i>	(16,461,572)	(13,700,723)	16,206,664	13,582,773	254,908	117,950	—	—
Fund balances, end of year <i>[note 6]</i>	24,998,094	18,683,317	29,003,941	26,061,345	48,697,666	47,056,436	102,699,701	91,801,098

See accompanying notes

Children's Hospital of Eastern Ontario Foundation
La Fondation du Centre hospitalier pour enfants de l'est de l'Ontario

Statement of cash flows

Year ended December 31

	2020	2019
	\$	\$
Operating activities		
Excess of revenue over expenses before grants	31,866,539	29,433,310
Grants to qualified donees	(20,967,936)	(17,059,457)
Add (deduct) items not affecting cash		
Amortization	16,912	10,197
Investment income	(6,545,039)	(10,033,063)
Donated shares	(1,006,122)	(545,220)
Other non-cash items	26,772	86,017
	3,391,126	1,891,784
Net change in non-cash working capital balances related to operations <i>[note 13]</i>	1,503,134	(792,669)
Cash provided by operating activities	4,894,260	1,099,115
Investing activities		
Deposits to externally managed investments	(9,000,000)	—
Cash used in investing activities	(9,000,000)	—
Net increase (decrease) in cash during the year	(4,105,740)	1,099,115
Cash and cash equivalents, beginning of year	13,406,049	12,306,934
Cash and cash equivalents, end of year	9,300,309	13,406,049

See accompanying notes

**Children’s Hospital of Eastern Ontario Foundation
La Fondation du Centre hospitalier pour enfants de l’est de l’Ontario**

Notes to financial statements

December 31, 2020

1. Purpose of the organization

The Children’s Hospital of Eastern Ontario Foundation/La Fondation du Centre hospitalier pour enfants de l’est de l’Ontario, [the “Foundation” or “CHEO Foundation”] is incorporated under the laws of Ontario as a corporation without share capital. The Foundation is a registered charity under the *Income Tax Act* (Canada) and, while registered, is exempt from income taxes and may issue tax donation receipts.

The Foundation furthers the physical, mental and social well-being of children and their families in Eastern Ontario and Western Quebec and Nunavut by raising, managing and disbursing funds through its support of CHEO [the “Hospital”], the CHEO Research Institute and Roger Neilson House. The Foundation also promotes awareness of children’s health issues as well as the Hospital’s achievements.

2. Summary of significant accounting policies

These financial statements are prepared in accordance with Part III of the *CPA Canada Handbook – Accounting*, “Accounting Standards for Not-for-Profit Organizations”, which sets out generally accepted accounting principles for not-for-profit organizations in Canada and includes the significant accounting policies set out below.

Fund accounting

In order to ensure observance of the limitations and restrictions placed on the use of resources available to the Foundation, the accounts of the Foundation are maintained in accordance with the principles of fund accounting. Accordingly, resources are classified for accounting and reporting purposes into funds. These funds are held in accordance with the objectives specified by the donors or in accordance with directives issued by the Board of Directors [the “Board”]. Transfers between the funds are made when it is considered appropriate and authorized by the President and CEO, or the Vice President, Finance and Administration. To meet these objectives of financial reporting and stewardship over assets, certain interfund transfers are necessary to ensure the appropriate allocation of assets and liabilities to the respective funds. These interfund transfers are recorded in the statement of operations and changes in fund balances.

For financial reporting purposes, the accounts have been classified into the following funds:

- [i] The General Fund accounts for the Foundation’s general fundraising, granting and administrative activities. Unless otherwise specified, any investment income earned is included in the General Fund.
- [ii] The Restricted Fund includes those funds where resources are to be used for an identified purpose as specified by the donor, as stipulated by the fundraising appeal or as determined by the Board.
- [iii] The Endowment Fund includes funds where either donor or internal restrictions require that the principal be invested by the Foundation in perpetuity. The investment income generated from assets held for endowment purposes must be used in accordance with the various purposes established by the donors or the Board.

Children's Hospital of Eastern Ontario Foundation
La Fondation du Centre hospitalier pour enfants de l'est de l'Ontario

Notes to financial statements

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Financial instruments

Investments are recorded at fair value. Transactions are recorded on a trade date basis and transaction costs are expensed as incurred.

Investment income, which consists of interest, dividends, income distributions from pooled funds, and realized and unrealized gains and losses, is recorded in the statement of operations and changes in fund balances. Investment income earned on the Endowment Fund or Restricted Fund is recognized as revenue in the Endowment Fund or Restricted Fund. Investment income subject to donor restrictions stipulating that it be added to the endowment is recognized as revenue of the Endowment Fund. Unrestricted investment income earned on General Fund resources is recognized as revenue of the General Fund. Investment losses are allocated in a manner consistent with investment income.

Other financial instruments, including cash and cash equivalents, accounts receivable and accounts payable and accrued liabilities, are recorded at fair value and are subsequently measured at cost, net of any provisions for impairment.

Cash and cash equivalents

Cash and cash equivalents consist of cash on deposit and short-term investments with a short maturity of approximately three months or less from the date of purchase unless they are held for investment rather than liquidity purposes, in which case they are classified as investments.

Foreign currency translation

Transactions denominated in foreign currencies are translated into Canadian dollars at exchange rates prevailing at the transaction date. Monetary assets and liabilities are translated into Canadian dollars at exchange rates in effect as at the date of the statement of financial position. Non-monetary assets and liabilities are translated at the historic rate. Exchange gains and losses are included in the statement of operations and changes in fund balances.

Capital assets

Purchased tangible capital assets are recorded at cost. Contributed tangible capital assets are recorded at fair market value at the date of the contribution. Amortization is provided on the straight-line basis over the estimated useful lives of the assets as follows:

Computer hardware	4 to 5 years
Furniture, fixtures and equipment	5 to 20 years
Vehicle	5 years

Other assets

Other assets include life insurance policies recorded at cash surrender values.

Children's Hospital of Eastern Ontario Foundation
La Fondation du Centre hospitalier pour enfants de l'est de l'Ontario

Notes to financial statements

December 31, 2020

Revenue recognition

The Foundation follows the restricted fund method of accounting for contributions, which include grants and donations:

- [i] Grants and bequests are recognized when received or receivable, if the amount to be received can be reasonably estimated and collection is reasonably assured.
- [ii] Other donations are recorded when received since pledges are not legally enforceable claims.
- [iii] Unrestricted contributions are recognized as revenue in the General Fund when initially recorded in the accounts.
- [iv] Externally restricted contributions, except endowment contributions, are recorded in the Restricted Fund when initially recognized in the accounts. Externally restricted endowment contributions are recognized in the Endowment Fund when initially recognized in the accounts.
- [v] Lottery and events revenue is recognized in the fiscal year in which the program is concluded.
- [vi] Contributions of materials are recorded when a fair value can be reasonably estimated and when the materials are used in the normal course of the organization's operations and would otherwise have been purchased. Materials such as medical journals and donated equipment for use by departments within the Hospital are recorded as revenue in the Restricted Fund, with a corresponding expense recorded as a contribution to the Hospital. The Foundation has items valued in excess of \$1,000 appraised by third parties in order to validate the fair value for reporting and tax receipt purposes.

Allocation of expenses

Expenses are recorded on the accrual basis. The costs of each function include the costs of personnel and other expenses that are directly related to the function. General support and other costs are not allocated.

Multi-employer plans

The Foundation participates in a multi-employer defined contribution pension plan. Contributions are recognized on an accrual basis.

Children's Hospital of Eastern Ontario Foundation
La Fondation du Centre hospitalier pour enfants de l'est de l'Ontario

Notes to financial statements

December 31, 2020

3. Investments

[a] Short-term investments comprise cash held by investment managers for investment purposes and relatively liquid investments maturing in less than one year.

[b] Investments have an asset mix as follows:

	2020	2019
	\$	\$
Short-term investments		
Cash and cash equivalents	2,516,642	1,930,593
Long-term investments		
Equities		
Canadian	18,765,430	15,576,300
Foreign	42,579,569	33,991,979
	61,344,999	49,568,279
Fixed income		
Canadian bonds	27,722,059	24,167,224
Foreign bonds	5,310,294	4,745,481
	33,032,353	28,912,705
	94,377,352	78,480,984
	96,893,994	80,411,577

The Foundation has established investment policy guidelines providing direction and restriction as to the mix and quality of its investment portfolio.

[c] Investment income earned on the Foundation's assets consists of the following:

	2020	2019
	\$	\$
Interest and dividends	2,234,577	2,216,934
Realized and unrealized gains and losses	4,455,410	8,062,885
	6,689,987	10,279,819

Children's Hospital of Eastern Ontario Foundation
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Notes to financial statements

December 31, 2020

4. Interfund transfers

Interfund transfers consist of the following:

	General Fund		Restricted Fund		Endowment Fund	
	2020	2019	2020	2019	2020	2019
	\$	\$	\$	\$	\$	\$
Transfers in year	(16,461,572)	(13,700,723)	16,206,664	13,582,773	254,908	117,950

The transfers relate to internally imposed restrictions approved by the Board, President and CEO, or the Vice President, Finance and Administration, or changes in the designation of funds as directed by donors.

5. Capital assets

Capital assets comprise the following:

	2020		
	Cost	Accumulated amortization	Net book value
	\$	\$	\$
Furniture, fixtures and equipment	119,383	87,881	31,502
Computer hardware	237,205	202,228	34,977
Vehicle	34,864	27,891	6,973
	391,452	318,000	73,452
	2019		
	Cost	Accumulated amortization	Net book value
	\$	\$	\$
Furniture, fixtures and equipment	119,383	84,937	34,446
Computer hardware	195,232	195,232	—
Vehicle	34,864	20,918	13,946
	349,479	301,087	48,392

Children’s Hospital of Eastern Ontario Foundation
La Fondation du Centre hospitalier pour enfants de l’est de l’Ontario

Notes to financial statements

December 31, 2020

6. Fund balances

The fund balances as at December 31, 2020 are as follows:

	General Fund	Restricted Fund	Endowment Fund	Total
	\$	\$	\$	\$
Donor restricted	—	16,628,676	22,385,397	39,014,073
Internally restricted	—	12,375,265	26,312,269	38,687,534
Unrestricted	24,998,094	—	—	24,998,094
Total fund balances	24,998,094	29,003,941	48,697,666	102,699,701

The fund balances as at December 31, 2019 are as follows:

	General Fund	Restricted Fund	Endowment Fund	Total
	\$	\$	\$	\$
Donor restricted	—	19,195,694	20,854,167	40,049,861
Internally restricted	—	6,865,651	26,202,269	33,067,920
Unrestricted	18,683,317	—	—	18,683,317
Total fund balances	18,683,317	26,061,345	47,056,436	91,801,098

Included in the General Fund balance is \$73,452 related to funds invested in capital assets. Included in the Endowment Fund under donor restricted is \$2,715,503 of funds on which investment income is unrestricted. Included in the Endowment Fund under internally restricted is \$24,632,269 of funds on which investment income is unrestricted.

Donated items [gifts in kind] totalling \$277,231 [2019 – \$268,063] were recorded as follows: Restricted Fund, \$13,602 [2019 – \$268,063] and General Fund, \$263,629 [2019 – nil].

Children's Hospital of Eastern Ontario Foundation
La Fondation du Centre hospitalier pour enfants de l'est de l'Ontario

Notes to financial statements

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7. Statement of operations and changes in fund balances

CHEO is privileged to benefit from approximately 300 fundraising partners and lotteries annually. Included in fundraising and lotteries revenue are the following examples:

Fundraising partners/activities

- CHEO Telethon
- CN Cycle for CHEO
- RBC Race for the Kids
- Trees of Hope
- CHEO B.B.Q.
- TD Bank
- Costco
- CASCO
- Ski for Kids
- Walmart
- NAV Canada
- LCBO
- Canada Post
- For the Kids Gala

Lotteries

- Dream of a Lifetime Lottery
- Nevada Ticket Sales

8. Parking agreement

On February 15, 2019, the Foundation renewed the agreement to lease the parking facility from the Hospital, effective April 1, 2018, for a three-year period ending on March 31, 2021, with lease payments of \$77,400 per month, which will continue through the negotiation of a new agreement.

The Foundation has a management agreement with the Hospital in connection with the parking facility, whereby the Foundation was appointed manager of the facility.

During the year, the Foundation earned revenue of \$2,493,376 [2019 – \$4,578,751] from the parking operations and incurred \$965,507 [2019 – \$968,875] in lease expense to the Hospital, and \$374,006 [2019 – \$686,813] in management fees and operating costs during the year. These expenses were recorded under direct expenses on the statement of operations and changes in fund balances. It was agreed by the parties that the net revenue over expenses related to parking operations would be used to support the Hospital, as is the mandate of the Foundation. During the year, \$3,000,000 [2019 – \$4,000,000] was distributed to the Hospital for capital and programs from funds earned from parking operations in the current and prior years.

Children’s Hospital of Eastern Ontario Foundation
La Fondation du Centre hospitalier pour enfants de l’est de l’Ontario

Notes to financial statements

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9. Related party transactions

During the year, the Foundation distributed grants to Children’s Hospital of Eastern Ontario and Children’s Hospital of Eastern Ontario Research Institute and Roger Neilson House. The capital and programs and contribution of services distributions comprise grants for the following purposes:

	2020	2019
	\$	\$
Research grants and programs	6,414,875	6,894,881
Programs and services	4,427,938	3,545,027
Capital equipment	6,737,461	2,301,486
Fellowships	60,431	—
Gifts in kind	277,231	268,063
Research building	50,000	50,000
Other capital – parking [note 8]	3,000,000	4,000,000
	20,967,936	17,059,457

Distributions were directed as follows: CHEO, \$13,853,060 [2019 – \$9,618,577], CHEO Research Institute, \$6,128,727 [2019 – \$6,222,328] and Roger Neilson House, \$986,149 [2019 – \$1,218,552].

In lieu of occupancy cost, the Foundation provides a grant to the Hospital toward the operating costs of the Research Institute facility.

All related party transactions are recorded at exchange value which approximates cost.

As at December 31, 2020, amounts due to related parties included in accounts payable and accrued liabilities is \$3,103,637 [2019 – \$1,492,364]. Amounts due to related parties are non-interest bearing and due on demand.

10. Pension plan

Substantially all of the full-time employees of the Foundation are members of the Healthcare of Ontario Pension Plan [the “HOOPP”], which is a multi-employer, defined benefit, final average pay contributory pension plan. Contributions to the HOOPP during the year by the Foundation on behalf of these employees amounted to \$301,507 [2019 – \$270,727] and are included in indirect expenses under other fundraising expenses and administrative expenses in the statement of operations and changes in fund balances. The Foundation does not use defined benefit plan accounting as it does not have sufficient information to do so.

The most recent valuation for financial reporting purposes completed by the HOOPP as at December 31, 2020 disclosed total assets available for benefits of \$104.0 billion with pension obligations of \$79.9 billion, resulting in a surplus of \$24.1 billion. At the end of 2020, the HOOPP was 130% funded. This fully funded status means the HOOPP has sufficient assets to pay every promised member’s pension benefit, with no shortfall.

During the year, the employer contribution rate to the HOOPP was 126% [2019 – 126%] of the employee amount.

Children’s Hospital of Eastern Ontario Foundation
La Fondation du Centre hospitalier pour enfants de l’est de l’Ontario

Notes to financial statements

December 31, 2020

11. Commitments

[a] As at December 31, 2020, commitments amounting to \$19,349,000 [2019 – \$18,243,000] have been approved by the Foundation’s Board of Directors to fund expenditures on behalf of the Hospital, CHEO Research Institute and Roger Neilson House for fiscal 2021, as follows:

	\$
Capital equipment	4,000,000
Research grants and programs	5,370,000
Programs and services	5,429,000
Research building	50,000
Other capital	3,600,000
Palliative care	900,000
	<u>19,349,000</u>

Of the committed amount, the Board of Directors has approved an amount of up to \$150,000 per year to 2021, related to Phase 2 of the Research Institute Facility.

The committed amount classified as other capital relates to the funds expected to be generated from the parking agreement [note 8].

[b] As at December 31, 2020, the Foundation has letters of credit outstanding, required in connection with its Dream of a Lifetime lottery and 50/50 draw, amounting to approximately \$4,746,108, which expired on February 20, 2021.

12. Financial instruments and risk management

The Foundation is exposed to various financial risks through transactions in financial instruments. The Investment Policy of the Foundation addresses risk tolerance and is structured so as to provide for the generation of the maximum rate of return while assuming an appropriate level of risk keeping in mind the goals of capital preservation.

Foreign currency risk

The Foundation is exposed to foreign currency risk with respect to its investments denominated in foreign currencies, including the underlying investments of its pooled funds denominated in foreign currencies, because of fluctuations in the relative value of foreign currencies against the Canadian dollar.

Credit risk

The Foundation is exposed to credit risk in connection with its accounts receivable and its short-term and fixed-income investments because of the risk that one party to the financial instrument will cause a financial loss for the other party by failing to discharge an obligation.

Children's Hospital of Eastern Ontario Foundation
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Notes to financial statements

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Interest rate risk

The Foundation is exposed to interest rate risk with respect to its fixed-income investments and a pooled fund that holds fixed income securities, the values of which will fluctuate with changes in market interest rates.

Liquidity risk

The Foundation is exposed to the risk that it will encounter difficulty in meeting obligations in connection with its accounts payable and accrued charges.

Market risk

Market risk arises as a result of trading in equity securities and fixed-income securities. Fluctuations in the market expose the Foundation to a risk of loss.

Other price risk

Other price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices [other than those arising from interest rate risk or currency risk], whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market. Management believes that no material other price risk factors exist.

13. Statement of cash flows

The net change in non-cash working capital balances related to operations is presented below. A positive balance represents a source of funds and a negative balance represents a use of funds.

	2020	2019
	\$	\$
Interest and other receivables	(6,877)	(33,875)
Prepaid expenses	19,988	24,633
Accounts payable and accrued liabilities	1,490,023	(783,427)
	1,503,134	(792,669)

14. COVID-19

The outbreak of COVID-19 has resulted in governments worldwide enacting emergency measures to combat the spread of the virus. These measures, which include the implementation of travel bans, self-imposed quarantine periods and social distancing, have caused material disruption to businesses globally resulting in an economic slowdown. The duration and impact of the COVID-19 outbreak is unknown at this time, nor is the efficacy of the government and central bank monetary and fiscal interventions designed to stabilize economic conditions. During the year, COVID-19 did not have a significant financial impact on the Foundation. However, given the unprecedented nature of this event, it is not possible to reliably estimate the length and severity of the developments nor the impact on the financial position and financial results of the Foundation in future periods.

**Children's Hospital of Eastern Ontario Foundation
La Fondation du Centre hospitalier pour enfants de l'est de l'Ontario**

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December 31, 2020

15. Comparative figures

Comparative figures have been reclassified to conform to the current year's presentation.